



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
HISTORICAL PRESERVATION & HERITAGE COMMISSION

Old State House • 150 Benefit Street • Providence, R.I. 02903-1209

TEL (401) 222-2678

FAX (401) 222-2968

TTY (401) 222-3700

Website www.rihphc.state.ri.us

HISTORIC PRESERVATION INVESTMENT TAX CREDIT APPLICATION
Instructions

A Rhode Island state income tax credit is available for certain projects that rehabilitate historic buildings. In order for a project to qualify for the Historic Preservation Investment Tax Credit, expenditures related to rehabilitation of a historic property must be certified by the Rhode Island Historical Preservation & Heritage Commission (RIHPHC) in accordance with Chapter 33.2 of Title 44 of the Rhode Island General Laws. The RIHPHC has issued regulations governing application and review for this tax credit; those regulations provide detailed information and shall take precedence in the event of any inconsistency with the requirements expressed in this application. In general, in order to be eligible, a project must rehabilitate a historic building listed in the National Register of Historic Places or the State Register, and the work performed on the building's exterior and on its interior must be appropriate to the building's historical character, as determined by the *Secretary of the Interior's Standards for Rehabilitation Projects*. Rehabilitation projects that demolish historic interiors (so called "gut rehab") will not be approved for tax credits. The RIHPHC is responsible for certifying whether a property is historically significant and whether the rehabilitation work proposed and actually completed is consistent with the *Standards*.

Rhode Island's Historic Preservation Investment Tax Credit is similar to the Federal Historic Rehabilitation Tax Credit, and some projects may qualify for both credits. For that reason, the Federal application form of the United States Department of the Interior, National Park Service will be used to apply for the Rhode Island State credit also. Applicants should read and follow the instructions for the Federal application form. In addition to the Federal application form, applicants for the State credit must also provide the information requested and sign the RIHPHC forms. Both the State and the Federal applications involve three separate parts. Approval for each part will be provided in writing to the applicant.

- Part 1 requires information about the historical significance of the property.
- Part 2 requires information about the current condition of the property and the rehabilitation work that is proposed.
- Part 3 requires information about the rehabilitation work that was actually completed.

When the application is for both the State and the Federal tax credits, two complete original applications are required; the RIHPHC will approve the State credit, and the

National Park Service will approve the Federal credit. Separate fees must be paid for RIHPHC review and National Park Service review. When the application is for only the State tax credit, one complete original application is required, only the RIHPHC will review and approve the application, and only the RIHPHC fee must be paid.

There are important differences between the Rhode Island credit and the Federal credit, although the overall programs are similar. Some of the differences are:

- The State credit is thirty percent (30%) of qualified rehabilitation expenses.
- The State credit is available to a property listed in the State Register even if it is not listed in the National Register of Historic Places; the property must be listed in the State Register before the property is placed in service.
- The State credit application (Part 1 & 2) must be filed with the RIHPHC before the project is completed and placed in service.
- The State credit requires a minimum expenditure greater than fifty percent (50%) of the adjusted basis in the building.
- The State credit may be claimed on projects to rehabilitate buildings that are depreciable or that are held for sale by the owner (other than the principal residence of the owner).
- The State credit may not be claimed for tax-exempt properties as defined in RI General Laws 44-3-3. If a rehabilitated property becomes tax exempt during the twenty-four month period following approval of the completed project (or longer period in the case of a phased project), the credit will be recaptured.
- The State credit requires that the owner sign a covenant not to alter the rehabilitated property without approval by the RIHPHC during the twenty-four months following completion of the project.
- The State credit may be assigned to a third party.
- The State credit may be carried forward and used for ten years following completion of the project.

The Applicant

The Applicant may be either the Owner of the fee interest in the building or a person other than the owner, such as a lessee, who expects to incur the qualified rehabilitation expenditures with respect to its leasehold interest. If the applicant is a lessee, the name and address of the Owner of the fee interest must be included in Part 1, Part 2, and Part 3 of the Application, and the Owner must sign Part 2 of the Application and Part 3 of the Application. The Owner of the fee interest must also sign the Declaration of Restrictive Covenants.

If the Applicant is not a natural person, the Application must be signed by a person authorized to sign on behalf of the Applicant entity. The Commission is entitled to rely on the apparent authority of the person signing on behalf of the Applicant without further investigation. For example, an application made by a corporation should be signed by an authorized officer; an application made by a partnership should be signed by a general partner or an officer of a corporate general partner; an application by a limited liability

company should be signed by an authorized manager; an application made by a trust should be signed by a trustee.

Part 1 of the Application

Part 1 of the application is used to determine whether a building is a certified historic structure. An owner may consult with the RIHPHC about the historical significance of a property. In order to obtain RIHPHC's historical certification for a property, *both* the short RIHPHC Part 1 application form and the more detailed Federal Part 1 must be submitted. Photographs must be 35mm color prints, and must clearly show the building's exterior and interior and its site before rehabilitation.

If a property is not listed on the National Register of Historic Places or the State Register but in the opinion of the RIHPHC appears to have historical significance, the RIHPHC may issue a preliminary certification. It is the owner's responsibility to complete the formal listing process *before* the rehabilitation project is completed and the building is placed in service. A certification of completed rehabilitation will only be issued for certified historic structures. RIHPHC staff can provide guidance on how to list a property on the National Register or State Register. RIHPHC regulations contain further information about certification of historic significance.

Part 2 of the Application

Part 2 of the application is used to review proposed rehabilitation work. An application for certification of a proposed rehabilitation must be submitted to the RIHPHC *before* the project is completed and the building is placed in service. All elements of the rehabilitation must be consistent with the *Secretary of the Interior's Standards for Rehabilitation*. An owner may consult with RIHPHC architects about whether proposed work is consistent with the *Standards*. Generally, an owner should request an on-site visit by a RIHPHC architect before submitting the Part 2 application for review.

In order to obtain RIHPHC's certification of proposed rehabilitation, *both* the short RIHPHC Part 2 application form and the more detailed Federal Part 2 must be submitted. Photographs must be 35mm color prints, and must clearly show the building's exterior and interior and its site before rehabilitation.

Tax Exempt Property Rehabilitation of a structure that is exempt from taxation pursuant to RI General Laws 44-3-3 is not eligible for the tax credit. Applicants must certify that their property is not tax exempt pursuant to RIGL 44-3-3.

Minimum Expenditure Threshold/Adjusted Basis To qualify for the tax credit, a rehabilitation of a certified historic structure must incur qualified rehabilitation expenditures greater than fifty percent (50%) of the adjusted basis in the building and its structural components. The amount of the adjusted basis before beginning the rehabilitation project must be stated on the application. This amount will be used to

determine whether the completed project incurred costs greater than fifty percent of adjusted basis.

Phased Projects Ordinarily a project must incur costs greater than the adjusted basis during a twenty-four (24) month period. However, an Owner may elect to complete the project in two or more distinct phases over a sixty (60) month period. To qualify as a phased project, architectural plans and specifications prepared before the physical work on the rehabilitation begins must be submitted to the RIHPHC.

Fee Fees are charged for reviewing rehabilitation certification requests, based on the dollar amount of the costs attributed to the rehabilitation of the certified historic structure.

<u>Rehabilitation Costs</u>	<u>Fee</u>
\$500,000 or less	\$500
\$500,000 - \$1,000,000	\$1,000
\$1,000,000 and above	\$2,000

Regardless of size of project, \$500 shall be payable at the time of application for certification of a proposed rehabilitation (Part 2), with the balance payable with the application for a Certificate of Completed Work (Part 3). In general, each rehabilitation of a separate certified historic structure will be considered a separate project for purposes of computing the size of the fee. However, projects involving the simultaneous, coordinated rehabilitation of multiple buildings identified in a certification application as part of the same project shall be considered one project for purposes of calculating the fee. Check or money order should be made payable to RI Historical Preservation & Heritage Commission, and the owner's Social Security or Taxpayer Identification number should appear on the check.

Applicant Information: Provide the Applicant's name, organization name (if any), social security number or taxpayer identification number, and mailing address.

The Applicant must sign and date the application.

Owner Information: If the Applicant is not the owner of the property, provide the Owner's name and mailing address.

The Owner must sign and date the application.

RIHPHC regulations contain further information about certification of proposed rehabilitation.

Part 3 of the Application

Part 3 of the application is used to review completed rehabilitation work. In order to obtain RIHPHC's certification of a completed rehabilitation project, *both* the short RIHPHC Part 3 application form and the more detailed Federal Request For Certification

of Completed Work must be submitted. Photographs must be 35mm color prints, and must clearly show the building's exterior and interior and its site after rehabilitation; as much as possible, views of completed work should match the views included in the Part 2 photographs. Generally a RIHPHC architect will make an on-site visit to the completed project. All elements of the rehabilitation must be consistent with the *Secretary of the Interior's Standards for Rehabilitation* in order to be certified.

Historic Certification Indicate whether the Commission has issued a Part 1 (Historic Certification) for the property.

If the property received a preliminary historic certification earlier in the application process, final certification based on listing in the National Register or State Register is required for certification of a completed rehabilitation project. Indicate whether the property has in fact been listed in the National Register or State Register and give the date of listing.

Tax Exempt Property Rehabilitation of a structure that is exempt from taxation pursuant to RI General Laws 44-3-3 is not eligible for the tax credit. Applicants must certify that their property is not tax exempt pursuant to RIGL 44-3-3.

Phased Projects Ordinarily a project must incur costs greater than the adjusted basis during a twenty-four (24) month period. However, an Owner may elect to complete the project in two or more distinct phases over a sixty (60) month period. To qualify as a phased project, architectural plans and specifications prepared before the physical work on the rehabilitation begins must be submitted to the RIHPHC. To receive certification for completion of a phased project or to receive certification of completion of a single phase, the Owner must demonstrate that the completed work is consistent with the phasing plan.

Fee Fees are charged for reviewing rehabilitation certification requests, based on the dollar amount of the costs attributed to the rehabilitation of the certified historic structure.

Rehabilitation Costs	Fee
\$500,000 or less	\$500
\$500,000 - \$1,000,000	\$1,000
\$1,000,000 and above	\$2,000

Regardless of size of project, \$500 shall be payable at the time of application for certification of a proposed rehabilitation (Part 2), and the balance is payable with the application for a Certificate of Completed Work (Part 3). In general, each rehabilitation of a separate certified historic structure will be considered a separate project for purposes of computing the size of the fee. However, projects involving the simultaneous, coordinated rehabilitation of multiple buildings identified in a certification application as part of the same project shall be considered one project for purposes of calculating the fee. Check or money order should be made payable to RI Historical Preservation & Heritage Commission, and the owner's Social Security or Taxpayer Identification number should appear on the check.

Cost Certification The application for certification of completed rehabilitation work must include the certification of a certified public accountant licensed in the State of Rhode Island including but not limited to: certification of the adjusted basis at the beginning of the rehabilitation, rehabilitation costs properly capitalized to the building, project costs incurred but not eligible for the Historic Preservation Investment Tax Credit such as costs for new construction and other costs not capitalized to the building, and statement that the Substantial Rehabilitation Test has been met. Substantial Rehabilitation means, with respect to a Certified Historic Structure, that the Qualified Rehabilitation Expenditures incurred with respect to the Certified Historic Structure during the twenty-four (24) month period selected by the Owner ending within the taxable year in which the Certified Historic Structure is Placed in Service exceed fifty percent (50%) of the Adjusted Basis in such building and its structural components as of the beginning of such period. In the case of any Rehabilitation which may reasonably be expected to be completed in phases set forth in architectural plans and specifications completed before the Rehabilitation begins, the above definition shall be applied by substituting "sixty (60) month period" for "twenty-four (24) month period."

Qualified Rehabilitation Expenditures: Based on the Cost Certification which is attached to the application, state the amount of Qualified Rehabilitation Expenditures. The tax credit amount will be based on this amount.

Placed in Service Date: State the date on which the rehabilitation was placed in service. "Placed in Service" means that Substantial Rehabilitation work has been completed which would allow for occupancy of the entire building or some identifiable portion of the building, or the Owner has commenced depreciation of the Qualified Rehabilitation Expenditures, whichever occurs first. Issuance of a certificate of occupancy or similar permit authorizing occupancy of the entire building or some identifiable portion by the municipal authority having jurisdiction shall constitute sufficient evidence for purposes of the Act that the building or the identifiable portion thereof that is the subject of the certificate of occupancy has been placed in service. However, a building or identifiable portion thereof may be treated as Placed in Service without a certificate of occupancy if the building or identifiable portion thereof is placed in a condition or state of readiness and availability for a specifically defined function, or upon the commencement of the period for depreciation with respect to the building under the Owner's depreciation practice, whichever occurs earlier.

Name of Person or Entity that Incurred Qualified Rehabilitation Expenditures: Provide the name, address, and taxpayer identification number for whoever actually incurred the project costs. In most cases this person or entity will be either the owner or a lessee. List the name, address, and taxpayer identification number of each person for whom an assignable historic preservation investment tax credit certificate is requested and give the percentage of the total credit (or specific dollar amount) that is to be allocated to each individual listed. If the Applicant is a Pass-Through Entity and Certificates are to be issued to the owners of the Pass-Through Entity, a copy of the written agreement

governing allocation of the Credit among the owners must be attached. Attach additional pages if needed.

Applicant Name and Signature: Print the name of the Applicant who may be an authorized representative of a partnership or other entity, sign and date.

Owner Name and Signature: If the Applicant is not the Owner, then the Owner also must list his/her name, sign and date the form.

Restrictive Covenant: In order to claim the Credit, the applicant must cause a Declaration of Restrictive Covenants to be recorded in the land evidence records affecting the property. The Covenant assures that no alterations will be made to the property without the approval of the Commission for twenty-four (24) months following issuance of the Part 3 Certificate of Completed Rehabilitation. The form of Declaration of Restrictive Covenants is available from the Commission upon request and an executed original must be submitted for Commission approval with Part 3 (the application for a Certificate of Completed Work). Upon the approval of Part 3, the Commission will return the signed Declaration of Restrictive Covenants to the Applicant for recording in the applicable land evidence records for the property. Upon receipt of evidence that the Declaration of Restrictive Covenants has been duly recorded, the Commission will issue the Assignable Historic Investment Tax Credit Certificate(s).

Supplementary Information Questionnaire: The Rhode Island Historic Preservation Investment Tax Credit was created to stimulate economic development as well as to preserve historic buildings. By providing the requested information, you can assist us in tracking and evaluating the success of this program. If precise numbers are not readily available, provide estimates. Thank you for your assistance.

FINAL NOTE: RIHPHC has issued regulations governing application and review for the Historic Preservation Investment Tax Credit, and those regulations shall take precedence in the event of any inconsistency with the requirements expressed in this application. RIHPHC approval of applications and amendments to applications is conveyed *only in writing* by a duly authorized official. The decision by RIHPHC with respect to certification is made on the basis of the descriptions in the application. Photographs, architectural plans, drawings and other materials submitted with the application become the property of the RIHPHC and may be reproduced by it without permission.